

**Subcommittee on Management Integration and Oversight  
Committee on Homeland Security  
U.S. House of Representatives**

**“9/11 Federal Assistance to New York:  
Lesson Learned in Fraud Detection, Prevention  
and Control”**

**Testimony by**

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Ladies and Gentlemen,

I appreciate the opportunity to be invited to testify before this committee on how one community, namely Chinatown, fared in the aftermath of the September 11<sup>th</sup> terrorist attacks on the World Trade Center in New York City. Tens of billions of dollars appropriated by the Congress were directed into the city, to help rebuild its economy, but Chinatown received a negligible amount.

My name is John Wang. I am President of the Asian American Business Development Center, a 501(c)(3) not-for-profit organization that was established in 1994 in New York City with a grant from the Small Business Administration. I set up AABDC in Chinatown to assist Asian-owned businesses to build capacity and improve skills in order for them to be able to compete in the mainstream marketplace. For 10 years, we have worked hand-in-hand with the businesses in the area.

Chinatown in New York City is the largest and oldest in the United States. It is a community of immigrants since the 1870s, and from 1965 to 1970 the population of Chinatown nearly doubled, rising from around 20,000 to almost 35,000. Since then it's population has increased by 500% to around 180,000 today. By 2001, Chinatown had already been a major tourist attraction for decades, and yet it was also a community at risk because of increasing isolation from the mainstream economy, outdated business practices and the effects of a deepening economic recession that the city was experiencing.

While you will see (please refer to map) that Chinatown is about a dozen city blocks away from the World Trade Center, the impact was immediate -- New Yorkers stayed at home, tourists stayed away from New York City. No one was going to Chinatown. That affected 400 restaurants, 500 retail outlets of various kinds, 200 street vendors, 300 manufacturers, 250 jewelry stores, just to name some of the types of businesses. Chinatown virtually started to close down.

**Yet the government failed to recognize the devastation suffered by Chinatown and did not include the community in the 'major disaster zone'.**



Just to cite a few examples, six months after September 11:

- the garment industry, a backbone of the Chinatown economy, hit the lowest point in its long history with 12% of factories closing (30 in number); over 1,000 garment workers lost their jobs and another 5,000 workers were working only 2 to 3 days per week. It has since further declined.
- Restaurants, the other lifeblood of Chinatown's economy, were reeling from a shortage of customers – lack of tourists combined with the loss of spending by garment workers. Despite some promotional activities during the Lunar New Year in February 2002, businesses were continuing to decline, showing losses of 20% to 40%.
- One of Chinatown's attractions was its abundance of small shops selling items at low prices. Walk-in activity and sales had dropped by as much as 50%.
- Over 250 jewelry stores that lined Canal Street and the Bowery, which competed with the city's Diamond District on 47<sup>th</sup> Street in terms of variety and prices, saw business drop, despite offering from 20% to 40% discounts to attract customers.

The SARs crisis took place in early 2003, and it was a double whammy to Chinatown. In April 2003, 18 months after September 11<sup>th</sup>, AABDC surveyed over 200 businesses throughout Chinatown including restaurants, jewelry stores, beauty salons, retail establishments, professional offices, and garment manufacturers. Here are some findings:

- 97% of the businesses surveyed said that business was down from pre-September 11<sup>th</sup> levels.
- When asked specifically about the impact of SARS, 84% said that their business had dropped because of the SARS crisis.
- Travel agencies in Chinatown were especially hit hard by the perceived threat of SARS, some reported that they were about to go out of business.
- As a whole, owners were reporting that business was down by over 30%, with many down by 50-60%.
- The drop in the number of tourists coming to New York City was one of the major reasons for the steep decrease in business
- 64% said there were fewer tourists.
- 80% said the tourists were spending less.
- But most damning of all was that business owners in Chinatown felt they have



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been completely overlooked and ignored since September 11<sup>th</sup> and more recently with the impact of SARS.

Looking to survive, many businesses applied for government assistance. Yet, according to the 2003 survey:

- only some had received loans and/or grants and many did not qualify for assistance.
- For those who did qualify, most received very little in the amount of grant money and even fewer have received loans.
- For example, only 20% of businesses surveyed had received any disaster-related loans.
- These loans came mostly from the Small Business Administration and the median loan amount was \$23,000.
- 62% had received the WTC Business Recovery Grant (BRG). However, the median grant amount was much lower at \$1,896.
- Another grant program, the WTC Small Firm Attraction and Retention Grant (SFARG), was not widely available. Only 11% of businesses received the SFARG with a median grant amount of \$7,000.
- 99% of those surveyed felt that government was not doing enough to help Chinatown.

It should not be a surprise to any observer of the Lower Manhattan disaster relief program to understand how the Chinatown community felt the way it did. Chinatown is a vibrant part of New York City, yet the Chinatown community was not invited to participate nor was it given an opportunity to provide input on how the programs should be designed to address the needs and provide meaningful assistance to community residents and businesses. Even longstanding problems such as garbage, parking and traffic around Chinatown were not addressed.

With the formation of the Lower Manhattan Development Corporation, no community representative was considered, let alone selected, to sit on the board of LMDC and to this very day there is still no representation on the board of LMDC for the Chinatown community.



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The result was a community poorly served by programs that were not designed with it in mind. Let me give you couple of examples of programs developed by the Empire State Development Corporation (New York State's economic development agency and parent agency of LMDC):

- The main shopping street in Chinatown is Canal Street. Yet, it is baffling that a program supposedly to help small businesses, would use Canal Street as a boundary to define that those on the south side of the street were eligible for financial assistance and those on the north were not!
- In a community of immigrants, where there is much transition, landlords were notoriously reluctant to give long term leases to tenants, so why is there a program which demanded a five-year lease in order to qualify to apply for assistance?

A short while ago I mentioned two grant programs - the World Trade Center Business Recovery Grant ("BRG") and the Small Firm Attraction and Retention Grant ("SFARG"). In June 2003, AABDC undertook a study of these two federal grant programs, based on 731 businesses that had sought assistance from AABDC. The report, "AABDC Financial Assistance Center: Findings from the Application Process for the World Trade Center Business Recovery Grant and Small Firm Attraction and Retention Grant Programs," found that:

- less than half of the 731 businesses that sought assistance received a grant – 46.4% received BRG and 23.1% received SFARG.
- and more than half of those who received a grant, received only \$3,000 in BRG and/or SFARG.
- Because so many businesses that sought assistance were small businesses (85.2%) with less than \$300,000 in annual gross revenues and less than ten employees (87%), the overwhelming majority (205 out of 339 businesses) received less than \$3,000 in BRG and less than \$9,000 in SFARG (25 out of 39 businesses).
- In total, over \$3.1 million in grant monies have been awarded to 347 businesses – \$2.7 million in BRG and \$463,000 in SFARG.
- 56.2% of businesses received less than \$3,000 in total grant money.
- The BRG awards ranged from \$100 to \$150,000 with the average grant award of \$2,195 for businesses with less than \$300K in annual gross revenue.
- Certain types of businesses were more likely than others to receive a grant. For example, laundromats (66.7%) were much more likely than car services (3.6%) to



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receive a BRG. Car service, street vendors and laundromats were not granted a SFARG.

To put this into perspective, when compared to the Empire State Development Corporation's preliminary numbers from March 2003:

- the average BRG award to Lower Manhattan businesses was \$33,680 as compared to only \$7,829 for Chinatown businesses
- and one Lower Manhattan corporation, American Express, alone received \$22 million in grant money.

The report analyzed problems with the two grant programs and offered some recommendations that many business owners believe would help them in receiving the financial assistance these programs had intended. I will not go into detail here, as I have submitted a copy of the report along with my testimony for the Committee to review.

In conclusion, I wish to reiterate points I have repeatedly raised with anyone who is willing to listen, that to revitalize, maintain and expand Chinatown is money well spent. Not only is it one of the most important economic, social and political centers of Chinese Americans, but it is also a major tourist attraction in New York City. But it will require some bold thinking and innovative planning. To revitalize Chinatown, short term and temporary promotional activities will not be enough. What is needed are forward-looking strategies and a long-range plan that can bring Chinatown into the 21<sup>st</sup> century.

While there is a general consensus that Chinatown will require targeted government and private sector interventions to stimulate its economy and ensure its future prospects, there is no commitment from state or city government to undertake a comprehensive action.

As Federal, State and City agencies turn to rebuilding Lower Manhattan, a primary concern should be on finding ways to stop the marginalizing of Chinatown's businesses and reverse its decline. It needs access to the funding, tools and networks needed to be part of New York City and State's economic recovery and to participate



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in the 21<sup>st</sup> century economy.

Here, as I have done elsewhere, I would propose:

- 1) an economic development strategy for Chinatown needs to be formulated, based on a number of comprehensive studies conducted post-9/11 by several community organizations;
- 2) the New York City Department of City Planning, in consultation with the community, should conduct a land use and zoning study to understand how the community's past development has shaped current land use and analyze the best and most appropriate use to promote future economic development;
- 3) a commercial development and investment strategy is needed to maximize Chinatown's strategic location and its links to the worldwide Chinese and Asian community where Chinatown, part of a global marketplace, is ideally situated to be an international business and trade center.

This clearly and unmistakably aligns Chinatown's economic with that of New York City and State and failure to take Chinatown into consideration in rebuilding Lower Manhattan is at city and state's own peril.

I thank the committee for giving me this opportunity to testify today.





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## **Background on Asian American Business Development Center**

AABDC is a 501(c)(3) not-for-profit organization that was established in 1994 with a grant from the Small Business Administration. AABDC's mission is to advance the capacity of Asian-owned businesses in areas needed to enable such businesses to compete in the mainstream marketplace.

AABDC acts upon its mission by:

- Providing information and technical assistance through consulting services, workshops, seminars, and conferences;
- Improving access to procurement opportunities;
- Increasing international trade opportunities;
- Increasing access to current technology and technology training;
- Providing a valuable networking structure that promotes visibility and access; and
- Facilitating and promoting strategic ventures between Asian and non-Asian businesses.

Major programmatic areas undertaken by AABDC to serve the small business community include:

### **ASIAN BUSINESS PARTNERSHIPS**

In its efforts to assist Asian American businesses to compete in the mainstream marketplace, AABDC actively develops alliances and partnerships with public agencies (such as U.S. Small Business Administration and Port Authority of NY & NJ), Empire State Development Corporation, NYC Department of Small Business Services and private sectors organizations to provide better access to information, resources and markets.

### **US-CHINA TRADE RELATIONS**

A key part of AABDC's strategy is facilitating business opportunities between Asian American business owners and firms in Asia and connects firms in Asia with corporate decision-makers here in the U.S. To meet that objective, AABDC



organizes trade delegations to and from Asia and maintains close relationships with Asian officials and business representatives stationed in the United States.

### **NEW MAJORITY ALLIANCE**

In partnership with the Harlem Business Alliance (HBA) and the Institute for Multicultural Business, Inc., AABDC launched a New Majority Initiative providing means for Asian American, African American and Hispanic American business owners to build economic alliances with Fortune 500 companies